

**Attachment 3 to Report of Independent Accountants  
Zapata County Independent School District  
Detailed Information Relative to  
Material Noncompliance, Material Weaknesses, Significant Deficiencies, or  
Immaterial Instances of Noncompliance Presented in Accordance with the Standards  
Applicable to Attestation Engagements Contained in *Government Auditing Standards***

Issue Number

SL2008BE074\_F01

Condition

The Zapata County Independent School District (the "District") has stated it has used an income survey method as an alternative discount method calculation for National School Lunch Program ("NSLP") purposes. However, the poverty rate was based on income surveys completed only by new students admitted each year and not based on income surveys of all the students in any particular year.

Funding Request Numbers ("FRNs") provided for examination affected by this issue are as follows:

<b>Funding Request Number</b>	<b>Pre-discount Amount</b>	<b>Amount Reimbursable at Minimum 25%</b>	<b>Amount Disbursed</b>	<b>Difference</b>
1348366	\$ 41,168.19	\$ 10,292.05	\$ 35,404.64	\$ 25,112.59
1348407	23,723.49	5,930.87	20,402.20	14,471.33
1348542	12,685.89	3,171.47	10,909.87	7,738.40
1348578	54,699.19	13,674.80	47,041.30	33,366.50
1348605	57,098.79	14,274.70	49,104.96	34,830.26
1348638	28,610.53	7,152.63	24,605.06	17,452.43
1348663	381,706.21	95,426.55	328,267.34	232,840.79
1468705	50,549.28	12,637.32	42,461.40	29,824.08
1470084	11,981.81	2,995.45	10,064.72	7,069.27
1470312	20,958.72	5,239.68	17,605.32	12,365.64
1517632	36,607.20	9,151.80	30,750.05	21,598.25
1517636	89,675.00	22,418.75	78,017.25	55,598.50
1524732	50,549.28	12,637.32	42,461.40	29,824.08
<b>Totals</b>	<b>\$860,013.58</b>	<b>\$215,003.40</b>	<b>\$737,095.51</b>	<b>\$522,092.12</b>

An amount of \$737,095.51 was examined.

Criteria

Per 47 CFR §54.505 (b), "Discount percentages. The discounts available to eligible schools and libraries shall range from 20 percent to 90 percent of the pre-discount price for all eligible services provided by eligible providers, as defined in this subpart. The discounts available to a particular school, library, or consortium of only such entities shall be determined by indicators of poverty and high cost. (1) For schools and school districts, the level of poverty shall be measured by the percentage of their student enrollment that is eligible for a free or reduced price lunch under the national school lunch program or a

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**Zapata County Independent School District**

federally-approved alternative mechanism. School districts applying for eligible services on behalf of their individual schools may calculate the district-wide percentage of eligible students using a weighted average. For example, a school district would divide the total number of students in the district eligible for the national school lunch program by the total number of students in the district to compute the district-wide percentage of eligible students. Alternatively, the district could apply on behalf of individual schools and use the respective percentage discounts for which the individual schools are eligible."

Per the Universal Service Administrative Company website, step 5 (<http://www.usac.org/sl/applicants/step05/alternative-discount-mechanisms.aspx>): "A school may design a survey that provides the necessary information that measures a family's level of need. Applicants cannot use National School Lunch Application forms as surveys. Surveys must be based on the following guidelines:

- The survey must be sent to all families whose children attend the school.
- The survey must, at a minimum, contain the following information:
  - Name of family and students
  - Size of the family
  - Income level of the family

Income data (or eligibility data based on income) from a survey used to support a discount level for a funding request cannot be older than two years before the start of the funding year. For example, the data gathered from an income survey done in September 2005 can be used for funding requests for Funding Year 2006 and Funding Year 2007, but not for Funding Year 2008. Therefore, surveys must be done at least every other year."

Cause	The District misunderstood the published guidelines for alternative methods of calculating the level of poverty.
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Effect	An amount of \$522,092.12 is subject to recovery by the Universal Service Administrative Company.
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\$501,988.08 of the amount is included in SL2008BE074\_F02.

\$365,812.30 of the amount is included in SL2008BE074\_F03.

\$243,506.54 of the amount is included in SL2008BE074\_F04

\$5,460.68 of the amount is included in SL2008BE074\_F05.

\$768.12 of the amount is included in SL2008BE074\_F06.

\$251.81 of the amount is included in SL2008BE074\_C01.

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**Zapata County Independent School District**

<b>Recommendation</b>	The District should conduct an income survey that meets program requirements as soon as possible to establish and document the discount rate for future funding applications, and conduct these surveys at least once every two years.
<b>Beneficiary Response</b>	See Attachment 4.
<b>Auditor's Response to Beneficiary Response</b>	<p>At the start of audit, Zapata County Independent School District ("District") representatives, advised they were using the Provision 2 exemption with 1996 as the base year. Upon request of the base year supporting data, District personnel could not provide it and advised it had been destroyed.</p> <p>The use of Provision 2 allows for the use of a fixed discount rate on the Form 471 while the exemption is in place. Examination of the Form 471, however, showed changes in the discount rate between the funding years in the scope of the audit. The District technology consultant advised the District was no longer using Provision 2 and that salary surveys were now the method used to support the discount calculation on the Form 471. The consultant also shared a letter from the Texas Department of Agriculture Director of Compliance Monitoring issued in 2008 related to the District's NSLP program. The letter advised a new Provision 2 base year needed to be established because documentation from the original year had not been retained. Therefore, all further audit procedures performed by Ernst &amp; Young assumed the Provision 2 exemption was not used by the District.</p>

**Attachment 3 to Report of Independent Accountants (continued)**  
**Zapata County Independent School District**

Issue Number	SL2008BE074_F02
Condition	<p>Zapata County Independent School District (the "District") state and local procurement policy requires the District advertise in a local newspaper when and where submitted bids will be received and opened if the value of the contract exceeds \$25,000. This advertisement must be posted once a week, or at the very least, once every other week until the deadline for bid submission. The state and local policy also requires any purchase of services and equipment in excess of \$25,000 to have board approval. The District was unable to provide evidence of the newspaper advertisements and any support which indicated that the board had approved the purchase of Internal Connection services related to Funding Request Numbers 1348366, 1348407, 1348578, 1348605, 1348638, 1348663, 1468705, 1470084, 1517632, 1517636, and 1524732. This issue affects \$708,580.32 of \$737,095.51 examined.</p>
Criteria	<p>Per 47 CFR §54.504 (a), "Competitive bid requirements. Except as provided in §54.511(c), an eligible school, library, or consortium that includes an eligible school or library shall seek competitive bids, pursuant to the requirements established in this subpart, for all services eligible for support under §54.502 and §54.503. These competitive bid requirements apply in addition to state and local competitive bid requirements and are not intended to preempt such state or local requirements."</p> <p>Per 47 CFR §54.516 (a) (1), "Schools and libraries shall retain all documents related to the application for, receipt, and delivery of discounted telecommunications and other supported services for at least 5 years after the last day of service delivered in a particular Funding Year. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools and libraries shall maintain asset and inventory records of equipment purchased as components of supported internal connections services sufficient to verify the actual location of such equipment for a period of five years after purchase."</p> <p>Per 47 CFR §54.504 (c) (1) (x), "The applicant recognizes that it may be audited pursuant to its application, that it will retain for five years any and all worksheets and other records relied upon to fill out its application, and that, if audited, it will make such records available to the Administrator."</p>

**Attachment 3 to Report of Independent Accountants (continued)**  
**Zapata County Independent School District**

<b>Cause</b>	The District's key person is currently on active military duty overseas. This individual was purported to be the only person who can locate the documentation.
<b>Effect</b>	An amount of \$708,580.32 is subject to recovery by the Universal Service Administrative Company. This amount includes the amounts in SL2008BE074_F06 and SL2008BE074_C01. \$501,988.08 is included in SL2008BE074_F01. \$504,825.50 is included in SL2008BE074_F03. \$307,931.34 is included in SL2008BE074_F04. \$2,512.87 is included in SL2008BE074_F05.
<b>Recommendation</b>	The District should file and retain all invoice and bid documentation, including newspaper advertisements and bid evaluation documentation for a period of five years from the last date of service in a manner that does not rely on one person to locate the documentation.
<b>Beneficiary Response</b>	See Attachment 4.
<b>Auditor's Response to Beneficiary's Response</b>	Evidence of the posting was not provided. Web posting does not appear to comply with State procurement rules.

**Attachment 3 to Report of Independent Accountants (continued)**  
**Zapata County Independent School District**

Issue Number	SL2008BE074_F03
Condition	<p>The Zapata Independent School District (the "District") was unable to provide the bid documentation from the three unsuccessful bidders (IES, Inc., STE, and I2I) related to Funding Request Numbers 1348366, 1348407, 1348542, 1348578, 1348605, 1348638, and 1348663. In addition, an analysis was not provided that showed how the winning bidder, Integrity, was selected and that Integrity was the most cost-effective bidder. This issue affects \$515,735.37 of \$737,095.51 examined.</p>
Criteria	<p>Per 47 CFR §54.511 (a), "Selecting a provider of eligible services. In selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers but price should be the primary factor considered."</p> <p>Per 47 CFR §54.516 (a) (1), "Schools and libraries shall retain all documents related to the application for, receipt, and delivery of discounted telecommunications and other supported services for at least 5 years after the last day of service delivered in a particular Funding Year. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools and libraries shall maintain asset and inventory records of equipment purchased as components of supported internal connections services sufficient to verify the actual location of such equipment for a period of five years after purchase."</p> <p>Per 47 CFR §54.504 (c) (1) (x), "The applicant recognizes that it may be audited pursuant to its application, that it will retain for five years any and all worksheets and other records relied upon to fill out its application, and that, if audited, it will make such records available to the Administrator."</p>
Cause	<p>The District's key person is currently on active military duty overseas. This individual was purported to be the only person who can locate the documentation.</p>
Effect	<p>An amount of \$515,735.37 is subject to recovery by the Universal Service Administrative Company.</p> <p>\$365,812.30 of the amount is included in SL2008BE074_F01.</p>

**Attachment 3 to Report of Independent Accountants (continued)**  
**Zapata County Independent School District**

\$504,825.50 of the amount is included in SL2008BE074\_F02.

\$300,213.40 of the amount is included in SL2008BE074\_F04.

\$697.47 of the amount is included in SL2008BE074\_F06.

<b>Recommendation</b>	The District should file and retain all documentation for a period of five years from the last date of service in a manner that does not rely on one person to locate the documentation.
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<b>Beneficiary Response</b>	See Attachment 4.
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**Attachment 3 to Report of Independent Accountants (continued)**  
**Zapata County Independent School District**

**Issue Number** SL2008BE074\_F04

**Condition** The Zapata County Independent School District (the "District") was unable to provide evidence of payment for \$65,579.55 of non-discounted charges related to Funding Request Numbers ("FRN") 1348663, 1468705, 1470084, 1470312, and 1524732.

FRN	Invoice Identifier	Invoice Date	472 or 474 Form Used	Invoice Amount	Pre-Discount Amount	Approved Disbursement Amount	Amount Payable by Zapata
1348663	4289	6/10/07	474	\$349,085.35	\$349,085.35	\$300,213.40	\$48,871.95
1468705	9567653475	2/18/07	472	633.87	270.33	227.07	406.80
1468705	9567654321	Unknown	472	3,124.45	1,332.49	1,119.29	2,005.16
1468705	9567651738	8/19/07	472	703.03	299.82	251.85	451.18
1468705	9567656546	Unknown	472	3,120.57	1,330.83	1,117.90	2,002.67
1470084	9567656917	Unknown	472	123.33	101.70	85.43	37.90
1470084	9567650280	Unknown	472	274.65	226.48	190.25	84.40
1470312	504737622	Unknown	472	1,646.75	642.48	539.68	1,107.07
1470312	504737622	Unknown	472	1,646.75	642.48	539.68	1,107.07
1470312	824339639	Unknown	472	3,772.63	1,471.90	1,236.39	2,536.24
1470312	504789624	Unknown	472	1,928.61	752.45	632.06	1,296.55
1524732	9567656546	Unknown	474	6,534.92	3,375.09	2,970.08	3,564.84
1524732	9567656545	9/18/07	474	110.45	57.04	50.20	60.25
1524732	9567656546	Unknown	474	3,753.33	1,938.48	1,705.87	2,047.46
<b>Totals</b>				<b>\$376,458.69</b>	<b>\$361,526.92</b>	<b>\$310,879.15</b>	<b>\$65,579.55</b>

The non-discount amounts related to \$635,885.05 disbursed by USAC were examined.

**Criteria**

Per 47 CFR §54.523, "Payment for the non-discount portion of supported services. An eligible school, library, or consortium must pay the non-discount portion of services or products purchased with universal service discounts. An eligible school, library, or consortium may not receive rebates for services or products purchased with universal service discounts. For the purpose of this rule, the provision, by the provider of a supported service, of free services or products unrelated to the supported service or product constitutes a rebate of the non-discount portion of the supported services."

Per FCC Order 04-190 (Paragraph 24), "Failure to Pay Non-discounted Share. We conclude that all funds disbursed should be recovered for any funding requests in which the beneficiary failed to pay its non-discounted share. While our rules do not set forth a specific timeframe for determining when a beneficiary has failed to pay its non-discounted share, we conclude that a reasonable timeframe is 90 days after delivery of service. Allowing schools and libraries to

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**Zapata County Independent School District**

delay for an extended time their payment for services would subvert the intent of our rule that the beneficiary must pay, at a minimum, ten percent of the cost of supported services. We believe, based on USAC's experience to date as Administrator, that a relatively short period – comparable to what occurs in commercial settings – should be established in which beneficiaries are expected to pay their non-discounted share after completion of delivery of service. In other contexts, companies refer payment matters to collection agencies if a customer fails to pay after several requests for payment. Accordingly, we clarify prospectively that a failure to pay more than 90 days after completion of service (which is roughly equivalent to three monthly billing cycles) presumptively violates our rule that the beneficiary must pay its share. For purposes of resolving any outstanding issues relating to audits conducted prior to the issuance of this clarification, we direct USAC to determine whether full payment had been made as of the time the audit report was finalized. If any amounts remained outstanding at the conclusion of the audit work, that constitutes a rule violation warranting recovery of all amounts disbursed. Information on payment of the non-discounted share shall be sought from the beneficiary."

Per 47 CFR §54.516 (a) (1), "Schools and libraries shall retain all documents related to the application for, receipt, and delivery of discounted telecommunications and other supported services for at least 5 years after the last day of service delivered in a particular Funding Year. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools and libraries shall maintain asset and inventory records of equipment purchased as components of supported internal connections services sufficient to verify the actual location of such equipment for a period of five years after purchase."

Per 47 CFR §54.504 (c) (1) (x), "The applicant recognizes that it may be audited pursuant to its application, that it will retain for five years any and all worksheets and other records relied upon to fill out its application, and that, if audited, it will make such records available to the Administrator."

<b>Cause</b>	The District's key person is currently on active military duty overseas. This individual was purported to be the only person who can locate the documentation.
<b>Effect</b>	An amount of \$310,879.15 is subject to recovery by the Universal Service Administrative Company. It includes the amounts of SL2008BE074_F05, SL2008BE074_F06, and SL2008BE074_C01.

**Attachment 3 to Report of Independent Accountants (continued)**  
**Zapata County Independent School District**

\$243,506.54 of the amount is included in SL2008BE074\_F01.

\$307,931.34 of the amount is included in SL2008BE074\_F02.

\$300,213.40 of the amount is included in SL2008BE074\_F03.

<b>Recommendation</b>	The District should pay all non-discount portions and ineligible amounts for the services received. Evidence of these payments should be retained by the District for a period of five years from the date of receipt of services as per FCC guidance in a manner that does not rely on one person to locate the documentation.
<b>Beneficiary Response</b>	See Attachment 4.

**Attachment 3 to Report of Independent Accountants (continued)**  
**Zapata County Independent School District**

**Issue Number**

SL2008BE074\_F05

**Condition**

Although the Zapata County Independent School (the "District") completed an analysis listing the vendor invoice information related to selected SLC invoice numbers, the District was unable to provide copies of the vendor invoices selected for analysis of eligible services and educational purposes and submitted for reimbursement using Forms 472. The related Funding Request Numbers were 1468705, 1470084, and 1470312. The invoices also could not be obtained from the vendors. Of the \$635,885.05 selected for testing, supporting documentation for the following disbursed amounts was not provided.

Funding Request Number	SLC Invoice Number	Vendor Paid by the USAC	Vendor Invoice Identifier	Invoice Amount	Disbursed Amount
1468705	818064	AT&T (formerly Southwestern Bell Telephone Company)	9567654321	\$ 3,124.45	\$1,119.29
1468705	818064	AT&T (formerly Southwestern Bell Telephone Company)	9567656546	3,120.57	1,117.90
1470084	829346	SBC Long Distance	9567656917	123.33	85.43
1470084	829346	SBC Long Distance	9567650280	274.65	190.25
1470312	818069	Cingular Wireless	504737622	1,646.75	539.68
1470312	818069	Cingular Wireless	504737622	1,646.75	539.68
1470312	818069	Cingular Wireless	824339639	3,772.63	1,236.39
1470312	818069	Cingular Wireless	504789624	1,928.61	632.06
Total				\$15,637.74	\$5,460.68

**Criteria**

Per 47 CFR §54.516 (a) (1), "Schools and libraries shall retain all documents related to the application for, receipt, and delivery of discounted telecommunications and other supported services for at least 5 years after the last day of service delivered in a particular Funding Year. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools and libraries shall maintain asset and inventory records of equipment purchased as components of supported internal connections services sufficient to verify the actual location of such equipment for a period of five years after purchase."

Per 47 CFR §54.504 (c) (1) (x), "The applicant recognizes that it may be audited pursuant to its application, that it will retain for five years any and all worksheets and other records relied upon to fill out its application, and that, if audited, it will make such records available to the Administrator."

**Cause**

The District's key person is currently on active military duty overseas. This individual was purported to be the only person who can locate the

**Attachment 3 to Report of Independent Accountants (continued)**  
**Zapata County Independent School District**

	documentation.
<b>Effect</b>	An amount of \$5,460.68 is subject to recovery by the Universal Service Administrative Company. This amount is included in SL2008BE074_F01 and SL2008BE074_F04. \$2,512.87 of the amount is included in SL2008BE074_F02. \$70.65 of the amount is included in SL2008BE074_F06. \$251.81 of the amount is included in SL2008BE074_C01.
<b>Recommendation</b>	The District should retain all invoice documentation for a period of five years from the last date of service as required by FCC rules in a manner that does not rely on one person to locate the documentation.
<b>Beneficiary Response</b>	See Attachment 4.

**Attachment 3 to Report of Independent Accountants (continued)**  
**Zapata County Independent School District**

**Issue Number**

**SL2008BE074\_F06**

**Condition**

A comparison was performed of a sample of telephone numbers specified on the AT&T (formerly Southwestern Bell Telephone Company) telephone service invoices to the telephone numbers listed in the Zapata County Independent School District (the "District") telephone directories. Thirty-one out of the 71 telephone numbers listed on the invoices were not found in the phone directories. District personnel advised there had been a number of schools closed that had resulted in disconnected telephone numbers. The total disbursed dollars for the missing telephone lines in the invoices examined was \$768.12 of \$1,245.76 disbursed amount selected for testing as submitted on Form 472. Details of the phone numbers and associated Funding Request Numbers are listed in the table below:

<b>FRN</b>	<b>AT&amp;T Invoice Date</b>	<b>AT&amp;T Invoice Identifier</b>	<b>Telephone Number</b>	<b>Invoice Amount</b>
1468705	1/19/07	9567653475	956-765-3475	\$ 25.94
1468705	1/19/07	9567653475	956-765-4200	25.94
1468705	1/19/07	9567653475	956-765-9446	25.94
1468705	8/19/07	9567651738	956-756-1010	26.19
1468705	8/19/07	9567651738	956-756-1013	26.19
1468705	8/19/07	9567651738	956-756-1081	26.19
1468705	8/19/07	9567651738	956-756-1200	26.19
1468705	8/19/07	9567651738	956-756-3752	26.19
1468705	8/19/07	9567651738	956-756-4632	26.19
1468705	8/19/07	9567651738	956-756-9451	32.69
1468705	8/19/07	9567651738	956-756-9460	32.69
1468705	8/19/07	9567651738	956-756-9471	26.19
1468705	1/19/07	9567656546	956-765-1185	47.29
1468705	1/19/07	9567656546	956-765-1186	47.29
1468705	1/19/07	9567656546	956-765-3753	25.94
1468705	1/19/07	9567656546	956-765-3772	25.94
1468705	1/19/07	9567656546	956-765-3854	25.94
1468705	1/19/07	9567656546	956-765-3945	25.94
1468705	1/19/07	9567656546	956-765-4108	29.79
1468705	1/19/07	9567656546	956-765-4432	25.94
1468705	1/19/07	9567656546	956-765-4802	25.94
1468705	1/19/07	9567656546	956-765-5446	45.94
1468705	1/19/07	9567656546	956-765-5850	25.94
1468705	1/19/07	9567656546	956-765-6547	47.29
1468705	1/19/07	9567656546	956-765-6548	29.79

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**Zapata County Independent School District**

<b>FRN</b>	<b>AT&amp;T Invoice Date</b>	<b>AT&amp;T Invoice Identifier</b>	<b>Phone Number</b>	<b>Invoice Amount</b>
1468705	1/19/07	9567656546	956-765-6557	\$ 43.44
1468705	1/19/07	9567656546	956-765-6848	29.79
1468705	1/19/07	9567656546	956-765-8001	25.94
1524732	8/19/07	9567656545	956-765-6945	34.19
1524732	8/19/07	9567656545	956-765-3695	26.19
1524732	8/19/07	9567656545	956-765-6439	26.19
<b>Total</b>				<b>\$941.24</b>
<b>Discount Rate</b>				<b>84%</b>
<b>Discounted Amount</b>				<b>\$790.64</b>
<b>Disbursed by USAC</b>				<b>\$768.12</b>

**Criteria**

Per 47 CFR §54.500(b): "Educational purposes. For purposes of this subpart, activities that are integral, immediate, and proximate to the education of students, or in the case of libraries, integral, immediate and proximate to the provision of library services to library patrons, qualify as "educational purposes." Activities that occur on library or school property are presumed to be integral, immediate, and proximate to the education of students or the provision of library services to library patrons."

Per 47 CFR §54.502: "For purposes of this subpart, supported telecommunications services provided by telecommunications carriers include all commercially available telecommunications services in addition to all reasonable charges that are incurred by taking such services, such as state and federal taxes. Charges for termination liability, penalty surcharges, and other charges not included in the cost of taking such service shall not be covered by the universal service support mechanisms."

Per 47 CFR §54.516 (a) (1), "Schools and libraries shall retain all documents related to the application for, receipt, and delivery of discounted telecommunications and other supported services for at least 5 years after the last day of service delivered in a particular Funding Year. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools and libraries shall maintain asset and inventory records of equipment purchased as components of supported internal connections services sufficient to verify the actual location of such equipment for a period of five years after purchase."

**Attachment 3 to Report of Independent Accountants (continued)**  
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<b>Cause</b>	The District's key person is currently on active military duty overseas. This individual was purported to be the only person who can locate the documentation.
<b>Effect</b>	<p>An amount of \$768.12 is subject to recovery by the Universal Service Administrative Company. This amount is included in SL2008BE074_F01, SL2008BE074_F02, and SL2008BE074_F04.</p> <p>\$697.47 of the amount is included in SL2008BE074_F03.</p> <p>\$70.65 of the amount is included in SL2008BE074_F05 and SL2008BE074_C01.</p>
<b>Recommendation</b>	The District should retain all the documents that support the appropriateness of charges billed to the E-rate program in a manner that does not rely on one person to locate the documentation.
<b>Beneficiary Response</b>	See Attachment 4.

**Attachment 3 to Report of Independent Accountants (continued)**  
**Zapata County Independent School District**

**Issue Number**

**SL2008BE074\_F07**

**Condition**

For a sample of invoices billed to the Universal Service Administrative Company ("USAC") on Form 472, Zapata County Independent School District (the "District") could not provide evidence that reimbursement for the discounted portion of the services for which the District initially paid in full, had been received from the vendor. The disbursement for these invoices was \$6,656.24 of a total of \$6,656.24 examined. The Funding Request Numbers ("FRN") associated with these invoices were 1468705, 1470084, and 1470312.

FRN	Vendor	Vendor Invoice Identifier	Invoice Date	Approved Disbursement Amount
1468705	AT&T (formerly Southwestern Bell Telephone Company)	9567653475	2/18/07	\$ 227.07
1468705	AT&T (formerly Southwestern Bell Telephone Company)	9567654321	not provided	1,119.29
1468705	AT&T (formerly Southwestern Bell Telephone Company)	9567656546	2/18/07	716.64
1468705	AT&T (formerly Southwestern Bell Telephone Company)	9567651738	8/19/07	251.85
1468705	AT&T (formerly Southwestern Bell Telephone Company)	9567656546	not provided	1,117.90
1470084	SBC Long Distance	9567656917	not provided	85.43
1470084	SBC Long Distance	9567650280	not provided	190.25
1470312	Cingular Wireless	504737622	not provided	539.68
1470312	Cingular Wireless	504737622	not provided	539.68
1470312	Cingular Wireless	824339639	not provided	1,236.39
1470312	Cingular Wireless	504789624	not provided	632.06
Total				\$6,656.24

**Criteria**

Per 47 CFR §54.514 (b), "Deadline for remittance of reimbursement checks. Service providers that receive discount reimbursement checks from the Administrator after having received full payment from the billed entity must remit the discount amount to the billed entity no later than 20 business days after receiving the reimbursement check."

Per 47 CFR §54.516 (a) (1), "Schools and libraries shall retain all

**Attachment 3 to Report of Independent Accountants (continued)**  
**Zapata County Independent School District**

documents related to the application for, receipt, and delivery of discounted telecommunications and other supported services for at least 5 years after the last day of service delivered in a particular Funding Year. Any other document that demonstrates compliance with the statutory or regulatory requirements for the schools and libraries mechanism shall be retained as well. Schools and libraries shall maintain asset and inventory records of equipment purchased as components of supported internal connections services sufficient to verify the actual location of such equipment for a period of five years after purchase."

Per 47 CFR §54.504 (c) (1) (x), "The applicant recognizes that it may be audited pursuant to its application, that it will retain for five years any and all worksheets and other records relied upon to fill out its application, and that, if audited, it will make such records available to the Administrator."

Cause	It is not possible to determine a cause because it was not possible to obtain evidence of the payments.
Effect	The effect is not determinable because it was not possible to determine if the vendor did not pay the District or the District misplaced the records of receipt and deposit.
Recommendation	There is no recommendation because the cause could not be determined.
Beneficiary Response	See Attachment 4.

**Attachment 3 to Report of Independent Accountants (continued)**  
**Zapata County Independent School District**

Issue Number	SL2008BE074_C01
Condition	<p>Zapata County Independent School District (the "District") invoices with discounted amounts totaling \$625,748.44 were examined for eligible services during eligible periods. An AT&amp;T (formerly Southwestern Bell Telephone Company) invoice examined for account number 956 765-1738 873 5 with a billing date of August 19, 2007 was for monthly recurring telephone service for the period August 19, 2007 through September 18, 2007. The discounted amount of \$251.81 (invoiced amount of \$703.03) was submitted under funding year 2006 Funding Request Number ("FRN") 1468705 using a Form 472. The discounted amount of \$251.81 should have been requested under a funding year 2007 FRN.</p>
Criteria	<p>Per 47 CFR §54.507 (d), "Annual filing requirement. Schools and libraries, and consortia for such eligible entities shall file new funding requests for each funding year no sooner than the July 1 prior to the start of that funding year. Schools, libraries, and eligible consortia must use recurring services for which discounts have been committed by the Administrator within the funding year for which the discounts were sought. The deadline for implementation of non-recurring services will be September 30 following the close of the funding year. An applicant may request and received from the Administrator an extension of the implementation deadline for non-recurring services if it satisfies one of the following criteria:</p> <ul style="list-style-type: none"><li>(1) The applicant's funding commitment decision letter is issued by the Administrator on or after March 1 of the funding year for which discounts are authorized;</li><li>(2) The applicant receives a service provider change authorization or service substitution authorization from the Administrator on or after March 1 of the funding year for which discounts are authorized;</li><li>(3) The applicant's service provider is unable to complete implementation for reasons beyond the service provider's control; or</li><li>(4) The applicant's service provider is unwilling to complete installation because funding disbursements are delayed while the Administrator investigates their applications for program compliance."</li></ul>
Cause	<p>There was no effective review to ensure invoices were submitted under the correct funding year.</p>
Effect	<p>An amount of \$251.81 is subject to recovery by the Universal Service Administrative Company. This amount is included in Finding SL2008BE074_F01, SL2008BE074_F02, SL2008BE074_F04, and SL2008BE074_F05.</p>

**Attachment 3 to Report of Independent Accountants (continued)**  
**Zapata County Independent School District**

\$70.65 of the amount is included in SL2008BE074\_F06.

**Recommendation**      The District should be sure all submissions to USAC are thoroughly reviewed to ensure the accuracy of the submissions.

**Beneficiary Response**      See Attachment 4.

**Attachment 4 to Report of Independent Accountants  
Zapata County Independent School District  
Beneficiary Responses to Detailed Information Relative to  
Material Noncompliance, Material Weaknesses, Significant Deficiencies, or Immaterial  
Instances of Noncompliance Presented in Accordance with the Standards Applicable to  
Attestation Engagements Contained in *Government Auditing Standards***

Issue Number: SL2008BE074\_F01

Beneficiary Response: "The Zapata County Independent School District operates under Provision 2 of the National School Lunch Program. The percentage used was calculated when the base year was established for the program. Once the determination was made of this classification, annual salary applications were not required of all continuing students. Salary applications were only required of new students to the district. The base year for Provision 2 was 1996. In 1996-1997 a CRE Review was conducted by the state and all applications were reviewed."

Issue Number: SL2008BE074\_F02

Beneficiary Response: "The bidding for services was done electronically and was posted on the World Wide Web. The request for proposals is attached."

Issue Number: SL2008BE074\_F03

Beneficiary Response: "The proposals were received through electronic media and are stored on the Technology Coordinator's computer. Unfortunately, the Technology Coordinator is proudly serving our country in Iraq."

Issue Number: SL2008BE074\_F04

Beneficiary Response: "In preparing for this audit, the district hired a consultant to assist in the absence of the Technology Coordinator. It appears that there was some miscommunication as to the data needed by the external auditors. Additional time is necessary to locate the records for these services. The district does keep accurate records of all payments. It may be that the information had previously been requested by the Technology Department. This cannot be ascertained as the Technology Coordinator's absence."

**Attachment 4 to Report of Independent Accountants (continued)**  
**Zapata County Independent School District**

**Issue Number: SL2008BE074\_F05**

**Beneficiary Response:** "In preparing for this audit, the district hired a consultant to assist in the absence of the Technology Coordinator. It appears that there was some miscommunication as to the data needed by the external auditors. Additional time is necessary to locate the records for these services. The district does keep accurate records of all payments. It may be that the information had previously been requested by the Technology Department. This cannot be ascertained as the Technology Coordinator's absence."

**Issue Number: SL2008BE074\_F06**

**Beneficiary Response:** "The Technology Coordinator was responsible for setting up the telephone numbers eligible for discounts. He worked closely with the Accounts Payable Clerk in issuing payment. The district will look closely at the phone numbers to determine which ones are eligible for discount."

**Issue Number: SL2008BE074\_F07**

**Beneficiary Response:** "In preparing for this audit, the district hired a consultant to assist in the absence of the Technology Coordinator. It appears that there was some miscommunication as to the data needed by the external auditors. Additional time is necessary to locate the records for these services. The district does keep accurate records of all payments. It may be that the information had previously been requested by the Technology Department. This cannot be ascertained as the Technology Coordinator's absence."

**Issue Number: SL2008BE074\_C01**

**Beneficiary Response:** "The Business office is responsible for payment of services when rendered and relies on communication from directors as to funding source. Better lines of communication will be developed to ensure that payment of services is made in the correct funding year."

**Attachment 5 to Report of Independent Accountants  
Zapata County Independent School District  
Funding Request Numbers For Which Detailed Invoice Support Could Not Be Obtained  
From Service Providers**

FRN	Vendor	SLC Invoice Number	Invoice Number as Submitted to USAC	Disbursed Amount
1348366	Integrity Communications	802169	4345	\$ 35,404.64
1348407	Integrity Communications	802176	4365	20,402.20
1348542	Integrity Communications	802191	4367	10,909.87
1348578	Integrity Communications	802197	4368	47,041.30
1348605	Integrity Communications	802202	4369	49,104.96
1348638	Integrity Communications	799316	4329	24,605.06
1348663	Integrity Communications	783061	4289	300,213.40
1348663	Integrity Communications	799314	4327	28,053.94
1524732	AT&T (formerly Southwestern Bell Telephone Company)	854446	9567656546	2,970.08
1524732	AT&T (formerly Southwestern Bell Telephone Company)	869328	9567656546	1,705.87
Total				\$520,411.32

A discounted amount of \$635,885.05 was attempted to be examined.

Ernst & Young LLP

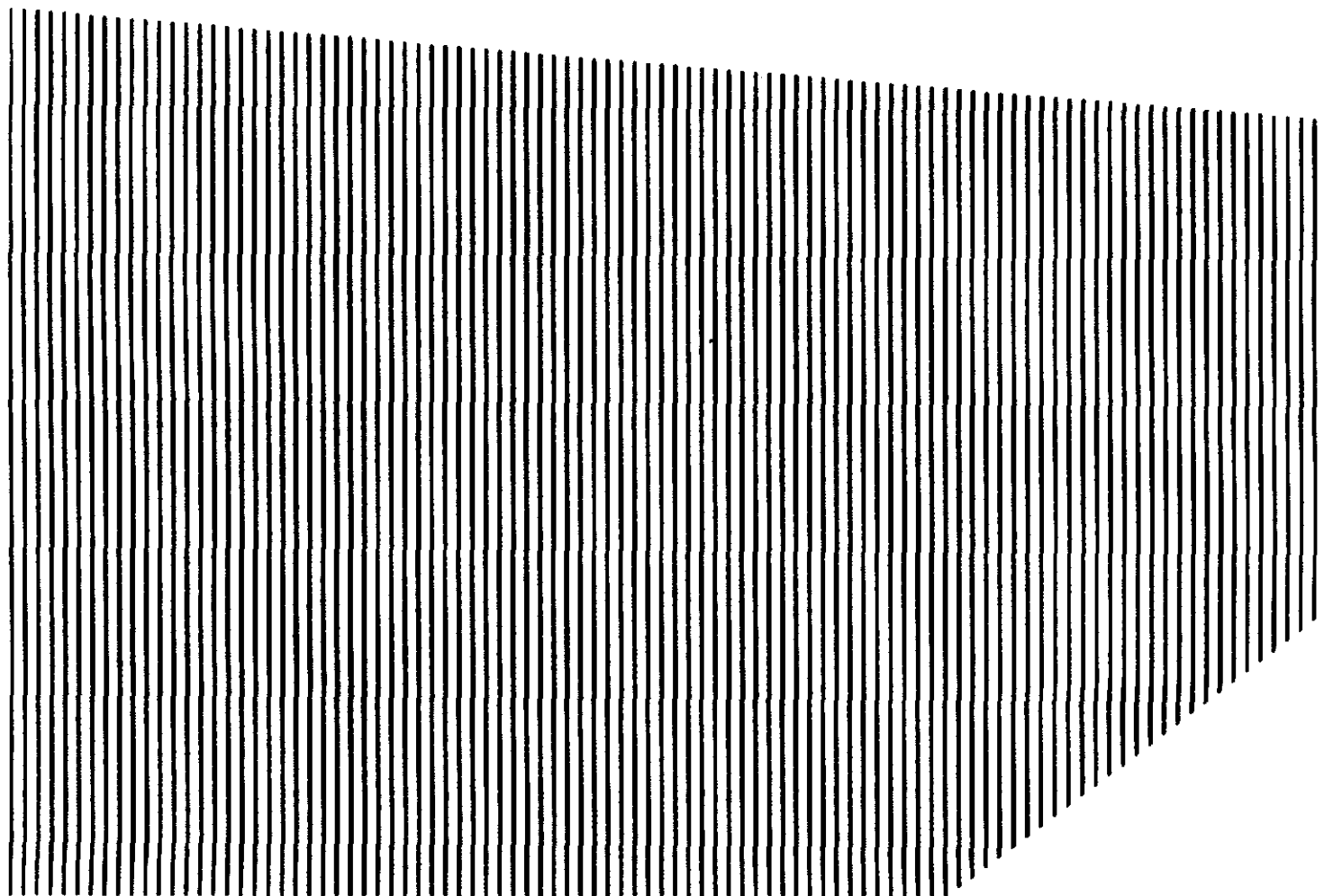
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communities achieve potential.

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# Exhibit C

**AGENDA  
ZAPATA COUNTY INDEPENDENT SCHOOL DISTRICT**

**BOARD OF TRUSTEES  
Special Called Board Meeting  
Friday, 12:00 noon  
February 18, 2005  
Professional Development Center  
17<sup>th</sup> & Carta St. - P.O. Box 150  
Zapata, Texas**

**PUBLIC ANNOUNCEMENTS AND INSTRUCTIONS**

**A. Public Participation:** At each regular meeting the Board allots time at approximately 6:00 p.m., to hear from persons who desire to address the Board. Public participation also is permitted with respect to each action item on the Board's agenda. At all other times during the Board meeting the audience shall not comment upon nor enter into discussion or debate on matters being considered by the Board.

No presentation may exceed five minutes.

Delegations of more than five persons may be requested to appoint one or more persons to present their views to the Board.

If you desire to address the Board you must complete and sign a "Visitor Registration Card", a supply of which is available at the entrance to the Board Room. The President will call on you at the appropriate time. A recording is made of the meeting; therefore, please give your name and address and make your presentation as brief as possible. If you have written information pertaining to your presentation, please deliver it to the Superintendent.

**B. Closed or Executive Session:** The Board may elect to go into Closed or Executive Session at any time during this meeting to discuss any agenda item, or items, which the Board is authorized to discuss in Closed or Executive Session in accord with the provisions of the Texas Open Meetings Act, Texas Government Code Section 551.001 et seq.

**CALL TO ORDER**

**INVOCATION**

**PLEDGE OF ALLEGIANCE and SALUTE TO THE TEXAS FLAG**

**ROLL CALL, Establishment of Quorum**

**SPECIAL PRESENTATIONS**

**AUDIENCES**

**Special Called Board Meeting, February 18, 2006**

**CONDUCT OF BUSINESS**

		<b>Page(s)</b>	<b>Person Responsible</b>
1.	Remarks: Superintendent		
2.	Report: Technology Report for E Rate Year 8		Ms. R. Salinas Mr. J. Montes
3.	Action: Approval of E-Rate Proposal for Year 8	8577	Ms. R. Salinas Mr. J. Montes
4.	Action: Approval of Lease Purchase of School Busses	8578	Mrs. L. Martinez
5.	Report / Possible Action: Possible Closed Session: Pursuant to Section 551.074 of the Texas Govt. Code, the Board will discuss: Resignations, Retirements, Leaves of Absence, New Employment, New Personnel Positions, Return from Leave of Absence, Contract Renewal for Teachers.	8579	Mr. Rodriguez
6.	Action: Action, if any, on items discussed in closed session	8580	Mr. Rodriguez
7.	Board Information Items:		
8.	Calendar: This item has been added to the agenda to provide an opportunity to set dates for student and/or teacher hearings or to bring to the Board's attention other dates.		
9.	Comments		
10.	Adjournment		

**ZAPATA COUNTY INDEPENDENT SCHOOL DISTRICT**  
17<sup>th</sup> & Carla - P.O. Box 188  
Zapata, Texas 78678-0188

**3** Action:

**TO:** Board of Trustees

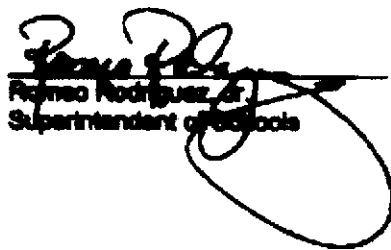
**DATE:** February 18, 2005


**SUBJECT:** Approval of E-Rate Proposal for Year 8

Zapata County Independent School District is proposing to request technology funds to enhance the technology in the district. The request for supplemental funds will be done through an E-Rate Proposal for Year 8.

\*\*\*\*\*

Administration is recommending that the E-Rate Proposal for Year 8 be approved by the Members of the School Board.

  
Romeo Rodriguez, Jr.  
Superintendent of Schools

  
Lourdes G. Martinez, Administrative  
Assistant for Business Services

**008577**

**Zapata County I.S.D.  
P.O. Box 188 - 17th & Carla St.  
Zapata, Texas 78078**

**TO: Board of Trustees**

**DATE: February 18, 2005**

**SUBJECT: E-rate Year 8 projects bids**

Administration requested bids for E-rate Year 8 projects. Based on all bids submitted, the Technology E-Rate Committee has made the following recommendation:

**Company**

**Internet Connections**

**Integrity Communications Ltd.**

**Amount  
\$ 1,997,195.72**

**Internet Access**

**Triton (Wireless Internet Access)  
E-Chatz (Website Hosting)**

**\$ 82,330.00  
\$ 5,800.00**

**Telecommunications**

**SBC Approximate yearly  
Singular Approximate yearly**

**\$ 67,727.42  
\$ 34,000.00**

**Total \$ 2,186,743.14**

**14% 306,144.04**

**86% 1,880,599.10**

\* \* \* \* \*